The
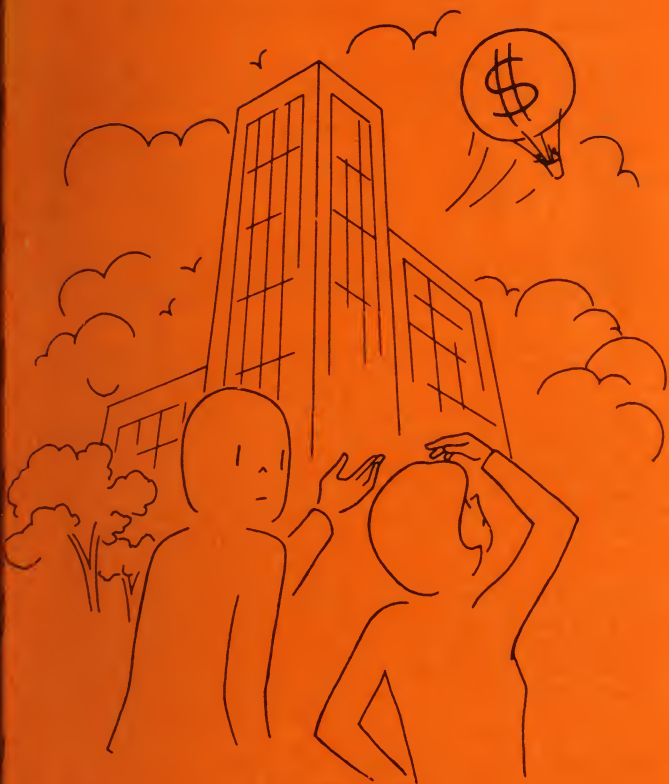# RISING COST OF
HEALTH CARE
AND WHAT YOU CAN DO

Where does your HEALTH CARE DOLLAR GO?

In 1982, almost 1 of every 10 dollars spent by Americans was for health care -- a total of $321 billion. That's about $1,361 for every person. **WHERE DID THAT MONEY GO?**

42¢ HOSPITAL CARE

(includes all inpatient and out-patient care in public and private hospitals, all services and supplies provided by hospitals.)

19¢ PHYSICIANS' SERVICES

(includes all services and supplies in physician's office, physician's services in hospital, lab tests ordered by physician.)

8¢ NURSING HOME CARE

(includes services in skilled nursing facilities, intermediate care facilities and personal care homes providing nursing care.)

20¢ OTHER PERSONAL HEALTH CARE

(includes drugs, medical sundries, dentists' services, eyeglasses, orthopedic equipment and home health care.)

11¢ OTHER HEALTH SPENDING

(includes operation of public and private insurance programs, public health programs, research, and construction of medical facilities.)

Why are HEALTH CARE COSTS RISING ?

The cost of health care is increasing rapidly. In 1982, total health spending rose 12%, compared to a 3.9% increase in the overall economy.

Health care is costing you more for **5 BASIC REASONS:**

❶ INFLATION

Rising costs have hit physicians and hospitals as hard as everyone else. For example --

STAFF EXPENSES

Salaries for a physician's staff (nurses, lab technicians, etc.) have gone up to keep pace with the rising cost of living.

SUPPLY PRICES

Medical supplies have to be top quality. Costs for these supplies have doubled (in some cases, tripled) over the past few years.

UTILITY COSTS

The cost of heat, light and water has doubled in the last 5 years. Health care providers must also pay these higher utility costs.

2

GREATER USE OF SERVICES

Because they are covered under Medicare, Medicaid and private health insurance plans, many more people can afford to use the services of physicians, hospitals and nursing homes.

HOSPITAL CARE

In 1982, the cost of hospital care was $136 billion -- a total of 42% of total personal health care spending.

3

MORE ELDERLY

The number of people age 65 and over grew by almost 50% between 1967 and 1981 -- from 19.5 million to 29 million. And the elderly, especially those over 75, use more health care services than younger people.

For example: The hospital admissions rate for the elderly is 3 times that of the rest of the population.

4

❹ ADVANCED TECHNOLOGY

New, better equipment helps save lives -- but it's very expensive. For example --

CT SCANNERS

A computerized X-ray is often the only way to detect causes of certain health problems. A complete facility can cost hundreds of thousands of dollars.

CARDIAC CARE UNITS

These utilize sophisticated equipment and are expensive both to set up and to operate.

❺ PAYMENT BASED ON COST

MEDICARE, MEDICAID AND MOST PRIVATE INSURANCE PLANS

pay for care on the basis of cost. Providers send in bills and the insurers pay them, up to certain limits. Such a system does not encourage efficiency. Inefficient providers of health care are paid the same as efficient providers.
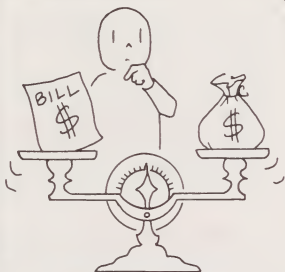
THE CURRENT INSURANCE STRUCTURE

also adds to health care costs because it encourages the use of more expensive inpatient facilities and the overuse of tests and procedures.

Why is the GOVERNMENT CONCERNED ?

Federal health care spending increased from $3.6 billion in 1965 to $84.2 billion in 1982 -- most of which represents payments under the Medicare and Medicaid programs.

- The $84 billion budget for these programs in 1982 was exceeded only by the Defense Department and the Social Security Administration.

- Medicare and Medicaid pay for 29% of the nation's personal health care expenses, and cover about 50 million Americans.
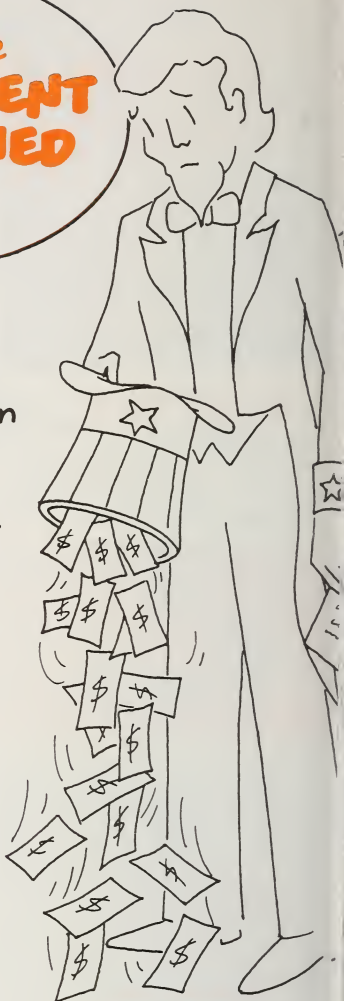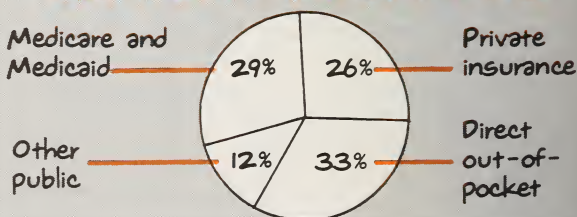
MEDICARE

- In 1982, $52 billion in federal money.

- Covers the elderly, disabled and persons with severe kidney disease.

MEDICAID

- In 1982, $29.8 billion in federal and state funds.

- Covers the poor.

PERSONAL HEALTH CARE SPENDING

Medicare and Medicaid — 29%

Private insurance — 26%

Other public — 12%

Direct out-of-pocket — 33%

6

Why should **YOU BE CONCERNED ?**

Consider the **GROWING FEDERAL BUDGET and DEFICIT**

Steady increases in federal health care spending have contributed to a growing federal budget and increasing deficits. This threatens our nation's economic progress.

IT AFFECTS YOU --

REDUCTIONS IN INSURANCE COVERAGE

Such reductions mean that some people may not get the care they need.

- **MANY STATES** have reduced benefits and eligibility under their Medicaid programs to help cut costs.

- **THE MEDICARE PROGRAM** may be unable to accommodate the rising elderly population and to absorb higher costs without cutting benefits.

- **BLUE CROSS/BLUE SHIELD** and other private insurers are considering reducing coverage as a result of complaints about high premiums from employers and beneficiaries.

OUT-OF-POCKET MEDICAL EXPENSES

These are rising as health care costs rise. In addition to paying premiums, insurance beneficiaries pay deductibles and co-payments nearly every time they use covered services.

What is the
GOVERNMENT DOING
about rising health care costs
?

**THE FEDERAL GOVERNMENT
IS DOING ITS PART**
to keep the cost of health care
down, including:

**CONTROLLING
WASTE,**

fraud and abuse in
its programs

**SIMPLIFYING
PROCEDURES**

that providers must
follow under Medi-
care and Medicaid

Rather than decreasing benefits
access to care, the government
**CONTROL COSTS THROUG
THE HEALTH CARE SYSTE**

**INCREASED
COMPETITION**

Some economists
believe that if con-
sumers are more sen-
sitive to costs and to
alternate ways of obtain-
ing care, they will use
fewer services -- and
will get them from pro-
viders with the lowest
prices. In this way, pro-
viders will be encour-
aged to be more com-
petitive and efficient.

**PROSPECTIVE
PAYMENT**

Under a "prospective
payment" system, the
government now deter-
mines in advance how
much it will pay hos-
pitals for a particular
service under Medicar
A hospital providing th
service for less than th
set rate gets to keep
part of the savings.

U.S. HEALTH CARE COSTS

SETTING LIMITS

on the charges it will pay to providers

TESTING

ways to increase efficiency and reduce costs in providing health care services.

ducing
tempting to
EFORMS IN
earn more . . .

MORE OUTPATIENT CARE

The government has established several programs to encourage more use of outpatient services -- which are generally less expensive than (and as effective as) inpatient care. For example:

- MEDICARE now pays 100% of the costs of approved outpatient surgery.

- MEDICARE has changed its payment practices to encourage home dialysis of patients with end-stage renal disease.

- MEDICAID allows states to use funds to pay for home-based or community services for the elderly who otherwise would have to enter a nursing home or hospital.

WHAT can I do ?

You can't
to k...

❶ TRY TO STAY HEALTHY

DON'T SMOKE

Smokers have a 70% greater chance of heart attack than non-smokers. They are also more likely to get lung cancer, emphysema and bronchitis.

WATCH YOUR WEIGHT

Eat balanced meals, but don't overdo. Overweight can cause high blood pressure and is harmful to the heart and circulatory system.

GET ENOUGH REST

Too little sleep lowers the body's natural immunities and increases the chance of illness.

EXERCISE REGULARLY

Too little exercise can cause heart and other problems.

DON'T DRINK TOO MUCH

Excessive drinking can cause heart damage, malnutrition, cirrhosis of the liver and emotional problems.

USE SEAT BELTS

They could save thousands of injuries -- and thousands of lives -- if used consistently.

10

take **2 BASIC ACTIONS**
help cut the high cost
of health care --

② USE HEALTH SERVICES WISELY

USE EMERGENCY ROOMS ONLY FOR EMERGENCIES

It often costs twice as
much to treat you in the
emergency room as it
would in your physician's
office. Unless it's really
an emergency, wait to
see your physician.
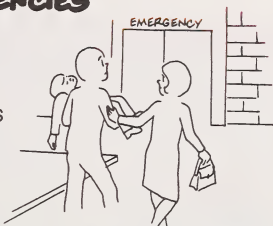
KEEP HOSPITAL STAYS SHORT

Don't ask to stay an
"extra" day in order to
rest. Recovery at home
is cheaper and often just
as beneficial.

USE OUTPATIENT SERVICES

Many medical procedures
can be done just as easily,
as safely, and at less cost,
on an outpatient basis.

USE HEALTH INSURANCE CAREFULLY

Don't insist on treatment just because you have
health insurance. Unnecessary use of services
will result in higher premiums for everyone. Con-
sider using a Health Maintenance Organization
(HMO). These stress preventive care, which
can help keep medical costs down.

MAKE WISE USE OF PHYSICIAN'S SERVICES

Choose a personal physician, and see him or her
first if you have a problem. Your personal physi-
cian will recommend a specialist, if needed.
Don't be afraid to discuss fees.

Soo--

You can help keep

HEALTH CARE COSTS DOWN!

- **MAINTAIN** your good health.

- **SPEND** your health care dollars wisely.

Meanwhile, the government is trying to find ways to reduce health care costs -- <u>without</u> cutting your benefits and eligibility.

DO <u>YOUR</u> PART, TOO!